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Tobacco Industry Profile 1989

Prepared by

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All data for calendar year 1988, unless otherwise stated

■ Consumption

Total U.S. consumption including overseas armed forces was:

- **562 billion cigarettes**
- **2.5 billion large cigars and cigarillos**
- **1,160 million little cigars**
- **20.3 million pounds of pipe and roll-your-own tobacco**
- **74.6 million pounds of chewing tobacco**
- **47.8 million pounds of snuff**

The output of cigarettes from U.S. factories was 695 billion. Of the total, 13.7 billion cigarettes were shipped to overseas forces, 800 million to Puerto Rico and other U.S. possessions and 118.5 billion to other countries.

Per-capita U.S. cigarette consumption, based on population 18 and over, declined to 3,096. Record high was 4,345 in 1963.

■ Expenditures

U.S. expenditures for tobacco products were estimated at $37.8 billion, a record high and an increase of more than $2.3 billion over 1987. More than $35.8 billion, or 94 percent of the money spent for tobacco products, was for cigarettes.

■ World Production

World production of tobacco was estimated at 6.5 million metric tons, approximately the same as 1986.

The leading leaf producing nations in 1988 were: China (2,309,000), U.S. (604,107), Brazil (419,000), India (322,860), U.S.S.R. (296,000), Turkey (169,793), Indonesia (163,211), Italy (152,000), Greece (139,300), Bulgaria (129,000), Burma (115,080), Zimbabwe (112,022), Japan (103,429), Poland (90,780).

■ U.S. Tobacco Production

Tobacco Growers

Tobacco was grown on an estimated 180,000 farms in 23 American states and in Puerto Rico. The federal government issued 436,914 allotments to grow tobacco in 1988. The allotment total is larger than the number of farms because some farms are given allotments for more than one type of tobacco.

The acreage harvested was 631,680, up 5 percent from 1987, with a record high yield of 2,038 pounds per acre. The total U.S. harvest was 1.3 billion pounds, a slight increase from 1987.

The types of tobacco grown in 1988 include flue-cured, 812.6 million pounds; burley, 460.2 million; Southern Maryland, 19.4 million; fire-cured, 27 million; dark air-cured, 7.8 million; and all cigar types, 21.1 million.

Tobacco growing requires about 250 man-hours of labor per acre harvested. By comparison, it takes about three man-hours to grow and harvest an acre of wheat. The more than one-half million farm families involved directly and indirectly in producing tobacco in the U.S. were aided by additional seasonal workers.

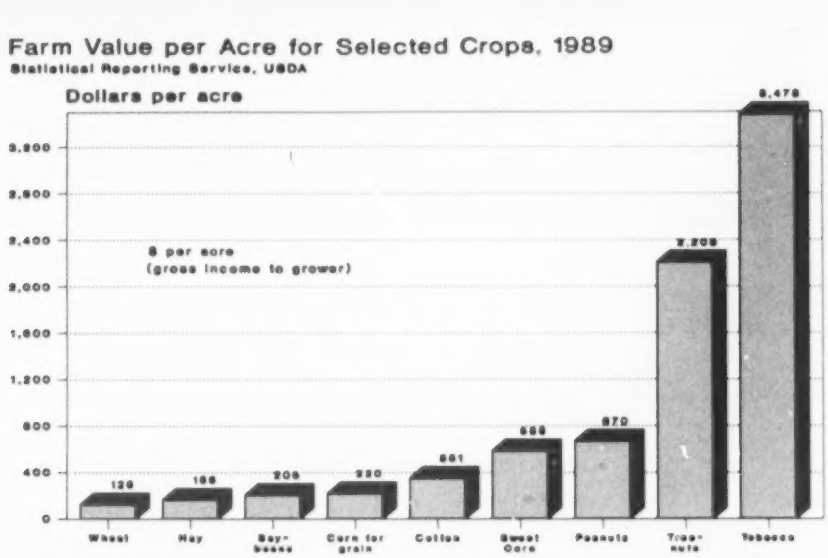
Tobacco Sales

Nearly all of the nation's tobacco was sold at auction in 163 designated markets. The small remainder was sold directly from farms or by farmers' cooperatives.

The average price of the 1988 crop was $1.63 per pound, a 6-cent increase from 1987.

Crop Income

Tobacco was the sixth largest cash crop, behind corn, soybeans, hay of all kinds, wheat and cotton. The tobacco crop was worth almost $2.2 billion, representing more than 3 percent of the total for all cash crops and farm commodities. Estimates of these cash receipts from the 1988 tobacco crop were:



(millions of dollars)			
North Carolina	890	Ohio	24
Kentucky	554	Maryland	17
South Carolina	162	Indiana	17
Tennessee	153	Pennsylvania	16
Virginia	149	Massachusetts	10
Georgia	140	Wisconsin	6
Florida	28	Missouri	6
Connecticut	26	West Virginia	5

Tobacco is also grown in Alabama, Arkansas, Illinois, Kansas, Louisiana, Minnesota, New Mexico and the Commonwealth of Puerto Rico.

■ Manufacturing

Factories

In FY 1988, 120 factories in 20 states had federal permits to manufacture tobacco products. The concentration was in the southeast and mid-Atlantic states.

In FY 1988, 227 warehouses in 31 states were authorized by the U.S. government to export tobacco. Federal permits to manufacture cigarette papers and tubes were issued to 6 establishments in 5 states.

Employment

An estimated 52,900 persons were employed in tobacco manufacturing during 1988 on a monthly average basis, representing hundreds of millions in payroll dollars. The 39,600 on the production lines in the average month earned $579.49 a week for a 39.8/hour week.

Of all the manufacturing employees, about 71 percent, or approximately 38,300, were employed by cigarette manufacturers. Almost three-fourths of the production workers, or 28,600 employees, were involved in cigarette-making. The rest worked in other aspects of tobacco manufacture, including stemming and redrying the leaf.

■ Distribution and Sales

Retail

An estimated 1.5 million retail outlets distributed tobacco products. This included 373,800 individual vending machines, plus family-owned stores, and tobacco departments of large chain-operated stores. Related employment numbered in the millions.

Wholesale

About 2,000 wholesalers distributed tobacco products in 1988. In 1988, wholesale value of tobacco products was an estimated $32.4 billion. Cigarettes accounted for about $30.7 billion; cigars, chewing, pipe and roll-your-own tobacco and snuff approximately $1.7 billion. Other smokers' articles, such as pipes, accounted for hundreds of millions more dollars.

■ Supply Network

Related Industries

Dependence on a complex industrial and service network greatly extended the contributions of tobacco to the nation's economy. The need for farm and manufacturing materials, supplies and equipment, as well as services ranging from transportation to advertising, provided employment for additional millions and added billions of dollars to personal and business income in all the states.

Exports and Imports

The U.S. was the leading exporter and importer of tobacco. In 1988, the value of U.S. exports of leaf and manufactured tobacco products was $4.15 billion, 22 percent above 1987. Imports were valued at approximately $546 million, a drop of 2 percent. The difference represented a positive contribution of $3.67 billion to the U.S. balance of payments in calendar year 1988, a 33 percent increase from the previous year.

Leaf

Approximately 218,542 metric tons of unmanufactured leaf tobacco, valued at $1.25 billion, were exported. Leading markets for U.S. leaf were Japan, West Germany, the Netherlands, Italy and Hong Kong.

Imports of unmanufactured leaf totaled 196,434 metric tons--down 12 percent from 1987--and were valued at $557.2 million, an 11 percent decrease from 1987.

About 37.2 percent of the leaf imported, or 73,107 metric tons, was oriental, for use in domestic cigarettes. Turkey continued to be the major supplier of oriental leaf, followed by Greece and Yugoslavia.

Products

The value of exported manufactured products in 1988 was $2.9 billion, 26 percent above 1987. The value of imported manufactured products, at $83.5 million, was up 10 percent.

Cigarettes

Approximately 118.5 billion cigarettes were exported in 1988 to 109 countries, up 18 percent in quantity from 1987. They were valued at $2.6 billion. The leading destinations were Japan, Belgium-Luxembourg, Hong Kong and Saudi Arabia.

About 2 billion foreign cigarettes, valued at 36.7 million, were imported.

Other Products

Cigar, cheroot and little cigar exports included 102.3 million units, valued at $7.0 million.

About 121 million units of foreign cigars and cheroots were imported with a value of $47.1 million. Exports of pipe and roll-your-own tobacco in bulk decreased 12 percent to 26,542 metric tons with a value of $2 million, a 5 percent decrease from 1987. Exports also included 859 metric tons of snuff and chewing tobacco worth $3.5 million--up 36 percent in quantity, but down 8 percent in value, from 1987. Imports of packaged smoking tobacco came to 1,564 metric tons valued at $15.7 million.

Shipping

Almost 92 percent of all leaf tobacco exported was shipped from the East. Major custom district ports were:

	Metric Tons	Value (thousands)
Norfolk, VA	120,557	677,065
Wilmington, NC	56,351	311,788
Charleston, SC	19,213	95,833
Los Angeles, CA	7,243	48,853
Baltimore, MD	4,824	26,287
Savannah, GA	2,851	17,316
San Juan, PR	1,358	37,835
New Orleans, LA	1,302	5,992
New York, NY	1,202	7,938
Seattle, WA	985	5,986

Cigarettes accounted for over 88 percent of the value of manufactured tobacco products exported. Major ports shipping cigarettes overseas were:

	Units (billions)	Value (millions)
Norfolk, VA	40.7	1,015
Los Angeles, CA	23.6	353
Savannah, GA	8.2	158
Charleston, SC	6.1	148
Baltimore, MD	4.9	135
Miami, FL	2.9	57
San Francisco, CA	1	21

■ Government Receipts from Taxes

Tobacco Taxes

About 32 percent of the receipts from domestic civilian retail sales of tobacco products went to federal, state and local treasuries in the form of excise and sales taxes. These totaled more than $11 billion in FY 1988 (ending June 30).

Federal, state and local governments collected more than $9.6 billion alone in excises on all tobacco products in FY 1988. Cigarette taxes represented 98 percent, or $9.6 billion.

Federal, state and local excises on other tobacco products totaled $1.7 billion.

Since 1863, when cigarettes were added to the tobacco products taxed by the federal government, governments at all levels have collected over $213.3 billion in tobacco taxes. Cigarettes have accounted for 95.9 percent of that, or $204.4 billion.

Federal

In FY 1988, the federal government's share was $4.6 billion. Cigarette taxes accounted for almost 99 percent. $56 million in taxes on other tobacco products were collected.

State

All states impose excises on cigarettes; 31 also tax cigars and smoking or chewing tobacco, snuff or a combination.

Total state tobacco tax revenue in FY 1988 was $4.9 billion, nearly 98 percent of which came from cigarette excises. About $110.9 million was collected on other tobacco products. The states' cigarette excises ranged from 2 to 34 cents per pack.

Local

Tobacco taxes in 396 cities and counties yielded over $194.5 million in FY 1988. Of that amount, $194.2 million, or 99.8 percent, resulted from taxes on cigarettes. Sixty local governments also collected $307,329 from taxes on other tobacco products.

▪ Government Tobacco Programs

Farm Quotas

USDA continued in 1988 to administer laws to stabilize tobacco production and assure the grower fair prices. Most tobacco farmers, through periodic referenda, favored marketing quotas. Because of the production controls, less tobacco was produced and prices were higher than would be likely without them.

Loans

With grower approval of marketing quotas for a tobacco type, price supports for it were mandatory. Under the program, the Commodity Credit Corporation (CCC) made loans to farmers through their cooperative associations, with the tobacco as collateral. The associations handled and sold the tobacco, repaying loans as the tobacco was sold. The realized cost of the tobacco program since its start in 1933 was about 0.1 percent of the cost for all 13 farm commodity price support programs. In FY 1988, loan repayments totaled $204 million, while new loans totaled $657 million, which is expected to be repaid with interest to CCC as the collateral tobacco is sold by the associations.

In 1982 Congress revised the price support program--requiring tobacco farmers to pay into a fund to offset any losses--to assure that its continued operation will be at no cost to the American taxpayer.

Grading

USDA's Agricultural Marketing Service (AMS) inspected and graded all tobacco before auction. Government grade standards were the basis for CCC loans. Beginning in FY 1982, tobacco farmers paid user fees for grading. In FY 1988, AMS collected $8.3 million from tobacco farmers, including investments. Daily market news reports informed growers of prices and market conditions. This service cost $684,000 in FY 1988.

▪ Tobacco's Contribution to America's National Economy

In 1989, Price Waterhouse performed an analysis of the U.S. tobacco industry to determine its impact on America's economy during 1986.

Based on that analysis, it is estimated that the tobacco core sectors in the U.S. economy generated $37.3 billion of the Gross National Product in 1986 and employed 700,883 persons to produce and deliver tobacco products and associated goods and services.

The tobacco industry's estimated spending-induced impact on America's GNP was $59.9 billion--far more than expenditures on tobacco products alone. This impact was generated by tobacco industry workers' expenditures on goods and services of other, non-tobacco, business sectors throughout the U.S.

The Price Waterhouse study shows, in 1986, tobacco industry activities in all 50 states resulted in these estimates:

	1986	
	Core and Supplier	Spending-Induced
- GNP	$37.3 billion	$59.9 billion
- Jobs	700,883	1,647,063
- Compensation	$14.4 billion	$37.5 billion
- Federal, state and local taxes	$16.5 billion	$17.1 billion

SOURCES: U.S. Department of Agriculture: Agricultural Marketing Service and Financial Management Division; Agricultural Stabilization and Conservation Service, *History of Budgetary Expenditures of the Commodity Credit Corporation Fiscal Year 1980-1988 actual*; Economic Research Service, *Tobacco Situation and Outlook*; Foreign Agricultural Service, *World Tobacco Situation*; Statistical Reporting Service, *Crop Production 1988 Summary, Crop Values 1988 Summary, Noncitrus Fruits and Nuts 1988 Mid-Year Supplement.*

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Price Waterhouse, Washington, DC.

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